

Message Text

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63

ACTION XMB-04

INFO OCT-01 ARA-06 ISO-00 EB-07 COME-00 TRSE-00 OPIC-03

AID-05 SSO-00 /026 W

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O R 102130Z SEP 76

FM AMEMBASSY BRASILIA

TO SECSTATE WASHDC IMMEDIATE 7772

INFO AMCONSUL RIO DE JANEIRO

AMCONSUL SAO PAULO

LIMITED OFFICIAL USE BRASILIA 7887

E.O. 11652: N/A

TAGS: BPRO, BR

SUBJ: PROPOSED EXIM BANK TO BANK LINE OF CREDIT

REF: (A) BRASILIA 7832; (B) STATE 214197

1. THE EMBASSY WISHES TO CLARIFY THE NATURE OF THE LITIGATION INVOLVING BANCO ECONOMICO MENTIONED IN REFTEL A, WHICH MAY HELP EXIMBANK DETERMINE WHETHER TO GUARANTEE THE MORGAN LINE OF CREDIT. EMBASSY WOULD PERCEIVE NO OBJECTION IF EXIMBANK DECIDES TO GRANT APPROVAL, BASED ON THIS ADDITIONAL INFORMATION.

2. BANCO ECONOMICO'S CURRENT LITIGATION STEMS FROM ITS REFUSAL TO HONOR TWO OF ITS OWN CASHIER'S CHECKS (FOR A TOTAL OF CR 195 MILLION), WHICH IT CLAIMS WERE ISSUED ILLEGALLY BY ONE OF ITS OFFICERS. AS FAR AS WE KNOW, AND THIS HAS BEEN CONFIRMED BY SOME BANKING SOURCES, THE LITIGATION DOES NOT REFLECT FINANCIAL DIFFICULTIES WITH THE BANK. IN ORDER TO DEMONSTRATE THAT THE MATTER DID NOT HAVE A FINANCIAL CHARACTER, BANCO ECONOMICO HAS DEPOSITED THE CR 195 MILLION WITH THE CENTRAL BANK AND HAS STATED THAT IT WOULD ABIDE BY THE COURT DECISION (I.E., HONOR THE CHECKS IF THE COURT SO RULES).

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3. A BRANCH OF BANCO ECONOMICO HAD ISSUED THESE TWO CASHIER'S

CHECKS BEFORE HAVING THE FUNDS ON HAND, WHICH IS CONTRARY TO NORMAL BANKING PRACTICE IN THE ISSUANCE OF SUCH CHECKS. THE ALLEGATION IS THAT THE BANK OFFICER INVOLVED IN SUCH ACTIVITY WAS RECEIVING A "KICK-BACK" FROM THE BANKS TO WHOM THE CHECKS WERE ISSUED. THE TWO RECIPIENT BANKS INVOLVED IN THIS INCIDENT WERE THE INTER-CONTINENTAL AND THE SOCOPA BANKS. THESE TWO BANKS HAVE TAKEN BANCO ECONOMICO TO COURT.

4. WE UNDERSTAND FROM THE MORGAN GUARANTY'S OFFICE IN SAO PAULO THAT THE PROPOSED BANK TO BANK LINE OF CREDIT MAY HAVE TO DO WITH A NEWLY-INSTITUTED PROGRAM BY EXIMBANK WHICH IS TO REPLACE THE EXISTING CFF PROGRAM. EMBASSY WOULD APPRECIATE DETAILS ON THIS NEW PROGRAM, IF IN FACT IT HAS BEEN SET UP.
CRIMMINS

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: n/a
Control Number: n/a
Copy: SINGLE
Draft Date: 10 SEP 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BRASIL07887
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760342-1219
From: BRASILIA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760974/aaaaclix.tel
Line Count: 77
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION XMB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 BRASILIA 7832, 76 STATE 214197
Review Action: RELEASED, APPROVED
Review Authority: GolinoFR
Review Comment: n/a
Review Content Flags:
Review Date: 12 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <12 JUL 2004 by CunninFX>; APPROVED <13 JUL 2004 by GolinoFR>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PROPOSED EXIM BANK TO BANK LINE OF CREDIT
TAGS: BPRO, BR
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006